

Message Text

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ACTION EUR-25

INFO OCT-01 IO-14 ISO-00 CIAE-00 DODE-00 PM-07 H-03 INR-10

L-03 NSAE-00 NSC-10 PA-04 RSC-01 PRS-01 SPC-03 SS-20

USIA-15 AID-20 COME-00 EB-11 FRB-02 TRSE-00 XMB-07

OPIC-12 CIEP-02 LAB-06 SIL-01 OMB-01 FEA-02 SCI-06

INT-08 NEA-11 AF-10 STR-08 AGR-20 DRC-01 /245 W

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R 241735Z JAN 74

FM AMEMBASSY PARIS

TO SECSTATE WASHDC 6331

INFO USMISSION EC BRUSSELS

AMEMBASSY BONN

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMEMBASSY ROME

USMISSION GENEVA

AMEMBASSY BRUSSELS

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E.O. 11652: N/A

TAGS: EFIN, ENRG, FR

SUBJECT: PRESIDENT POMPIDOU ON OIL, MONETARY PROBLEMS AND EUROPE

1. PRESIDENT GEORGES POMPIDOU MADE THE FOLLOWING POINTS IN HIS ADDRESS OF JANUARY 24 AT POITIERS.

2. DOMESTIC ECONOMIC ACTION. THROUGH THE PRIME MINISTER, HE HAD INSTRUCTED PLANNING COMMISSION TO ESTABLISH A NUMBER OF HYPOTHESES, WITH APPROPRIATE TWO OR THREE YEAR ECONOMIC, FINANCIAL AND SOCIAL POLICIES FOR EACH. IN THIS WAY (ASSUMING GOVERNMENT LIMITED OFFICIAL USE

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COULD DETERMINE WHICH HYPOTHESIS

APPROPRIATE) GOVERNMENT COULD PRESENT ACTION PLAN BEFORE NEXT REGULAR SESSION OF PARLIAMENT, APRIL 2.

3. INTERNATIONAL MONETARY SITUATION. POMPIDOU CITED "DEPLORABLE WAY IN WHICH BRETTON WOODS SYSTEM HAD BEEN DISTORTED" THROUGH "DISORDERLY MOVEMENT OF CERTAIN FOREIGN CURRENCIES SUCH AS THE DOLLAR, WHICH CREATED A CLIMATE OF PERMANENT INFLATION" AS ONE OF CAUSES OF FRANCE'S PRESENT DIFFICULTIES. THIS PROCESS WOULD HAVE INEVITABLY LED TO A SLOWDOWN, IF NOT A CRISIS, HE ADDED. THE PRESIDENT ALSO REPEATED FINANCE MINISTER GISCARD'S EXPLANATION OF FRANC FLOAT AS A MEANS OF CONSERVING FRENCH RESERVES FOR MORE USEFUL PURPOSES. HE SAID THERE WERE "DOZENS IF NOT HUNDREDS OF BILLIONS OF DOLLARS" OF SPECULATIVE CAPITAL WHICH COULD BE UNLEASHED AGAINST THE FRANC.

4. ENERGY SITUATION. POMPIDOU STATED RATIONALE OF OIL PRODUCERS WAS SIMPLE: LESS IS PRODUCED AND MORE WILL HAVE TO BE PAID; HOWEVER, IN HIS VIEW, THEY HAD OVERSHOT THEIR MARK IN FIXING PRICES WHICH WERE EXCESSIVE BOTH IN AMOUNT AND IN RAPIDITY OF INCREASE. HE ADMITTED CONSIDERABLE RISE IN COST OF ENERGY WOULD INCREASE COST OF LIVING FOR THE FRENCH AND POSE DIFFICULTIES FOR BALANCE OF PAYMENTS. HE CALLED FOR UNDERSTANDING BETWEEN CONSUMERS AND PRODUCERS ON LEVEL OF EUROPE AND ARAB COUNTRIES AND AT WORLD LEVEL BETWEEN RICH AND POOR NATIONS. THE PRESIDENT SAID HE WAS OPTIMISTIC ABOUT "FRANCE'S CAPACITY FOR FOREIGN TRADE", BUT NOTED THAT IF PRICE RISES CONFIRMED, FRANCE MIGHT HAVE TO REDUCE ITS OTHER IMPORTS AS WELL.

5. EUROPEAN PROGRESS. POMPIDOU REFUTED ACCUSATIONS THAT GOF HAD "TURNED ITS BACK ON EUROPE", STATING THERE WAS AN ESTABLISHED COMMUNITY WITH COMMON AGRICULTURAL POLICY AND FREE TRADE. THIS ACCOMPLISHMENT WOULD BE "FEROCIOUSLY" DEFENDED AND MUST BE TOTALLY SAFEGUARDED. THE PRESIDENT RECOGNIZED, HOWEVER, THAT CERTAIN ASPECTS OF ECONOMIC AND MONETARY UNION WOULD HAVE TO "SLEEP".

6. COMMENT: PRESIDENT'S REMARKS ON INTERNATIONAL MONETARY SITUATION ARE ESSENTIALLY REHASH OF OLD LINE, SHIFTING SOME OF THE RESPONSIBILITY FOR THE PRESENT FRENCH DIFFICULTIES FROM THE OIL PRODUCERS TO THE UNITED STATES AND UNNAMED OTHERS. THEY LIMITED OFFICIAL USE

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WERE ACCOMPANIED BY NO NEW IDEAS. HIS ORDERS TO THE PLAN, BILLED AS FIRST INDICATION OF GOVERNMENT POLICY IN FACE OF PETROLEUM CRISIS, MAY LIKEWISE BE SEEN AS ANOTHER PROCRASTINATION, WITHOUT REAL SUBSTANCE. MOST INTERESTING REMARK IN SPEECH WAS CRITICISM OF OIL PRODUCERS FOR FIXING NEW PRICES TOO HIGH AND TOO FAST, FIRST TIME GOF HAS MADE SUCH CRITICISM PUBLICLY. POMPIDOU'S REMARK ON EUROPE-ARAB AND RICH-POOR CONSULTATION CLEARLY ANOTHER MANIFESTATION FRENCH DISTASTE FOR U.S. ENERGY INITIATIVE. STONE

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